

WINTHROP UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules For the Year Ended June 30, 2012

WINTHROP UNIVERSITY

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FINANCIAL INFORMATION

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Certified Public Accountants
Established 1950

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Independent Auditors' Report

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
and the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

We have audited the accompanying financial statements of the business-type activities of Winthrop University, a department of the State of South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Winthrop University Real Estate Foundation, Inc. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. reflect 100% of total assets, 100% of net assets, and 100% of total revenues of discretely presented component units. The financial statements of Winthrop University Real Estate Foundation, Inc. was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business-type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

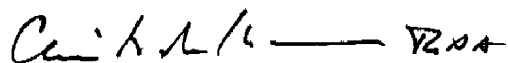
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Winthrop University and its discretely presented component units, as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the University adopted, effective for the fiscal year ended June 30, 2012, a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012 on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winthrop University's financial statements as a whole. The accompanying schedule of expenditures of federal awards listed in the single audit section of the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is also not a required part of the financial statements of Winthrop University. The other financial information and schedule of expenditures of federal awards as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



September 20, 2012



**WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2012. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

Introduction

Winthrop University provides personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. Nationally recognized for its quality and value, Winthrop is a learning community that embodies the characteristics essential to being one of the best universities of its kind: a carefully selected student body of high academic achievement and cultural diversity; a national caliber curriculum of the arts, sciences, and professions; a residential educational experience emphasizing personal identity and close relationships; and values that emphasize deep learning, quality teaching, and engaged public service. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited – part of the University's commitment to be among the very best institutions of its kind in the nation.

Winthrop University of the 21st century is achieving national recognition as a competitive and distinctive, co-educational, public, residential comprehensive teaching institution.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of 6,000 students and will remain a medium-sized comprehensive teaching University for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

Winthrop's historic campus, located in Rock Hill, South Carolina, provides a contemporary and supportive environment that promotes student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with current methods and knowledge. As a result, Winthrop graduates are eminently well prepared to assume successful careers in business, industry, government, education, the arts, and human services, as well as to enter the most competitive graduate or professional schools.

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2012 edition. It is the 20th time this publication has chosen Winthrop for inclusion in its listings.

The Princeton Review rated Winthrop among its “**Best Southeastern Colleges**” in its 2013 edition, based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.

Winthrop was among 32 postsecondary institutions – and the only South Carolina institution – recognized nationally for “beating the odds” in helping students, particularly minority students, most prone to dropping out of college stay on track toward graduation. In a fall 2011 report developed with support from the Bill & Melinda Gates Foundation, Winthrop was singled out for its efforts to improve college completion rates and prepare students for successful careers.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University’s equity in property, plant, and equipment owned by the institution. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of the University’s unrestricted net assets have been designated for various academic initiatives or future capital commitments.

CONDENSED STATEMENT OF NET ASSETS

	2012	2011	Increase/ (Decrease)
ASSETS			
Current Assets	\$ 21,906,858	\$ 22,783,583	\$ (876,725)
Capital Assets, Net of Accumulated Depreciation	131,017,092	136,202,927	(5,185,835)
Other Noncurrent Assets	10,102,222	14,193,143	(4,090,921)
Total Assets	163,026,172	173,179,653	(10,153,481)
LIABILITIES			
Current Liabilities	20,128,001	20,300,973	(172,972)
Noncurrent Liabilities	72,616,430	74,477,327	(1,860,897)
Total Liabilities	92,744,431	94,778,300	(2,033,869)
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	56,852,729	63,693,940	(6,841,211)
Restricted for Nonexpendable	497,918	494,481	3,437
Restricted for Expendable	1,999,244	3,078,046	(1,078,802)
Unrestricted	10,931,850	11,134,886	(203,036)
Total Net Assets	\$ 70,281,741	\$ 78,401,353	\$ (8,119,612)

- Capital Assets, Net of Accumulated Depreciation decreased by \$5,185,835. Nearly \$1.3M of equipment, buildings, and land assets were placed into service in 2012; however, depreciation expense totaled \$6.4M.
- Other Noncurrent Assets declined by \$4,090,921 primarily because of a reduction of \$3.6M in restricted cash in the unexpended plant fund, which resulted primarily because bond proceeds on hand at June 30, 2011 were expended in FY12 for the Phelps and other Residence Hall projects. In addition, restricted cash in the contract and grant funds declined by nearly \$1.6M because expenses were incurred but not yet received from granting agencies. These decreases were offset by an increase in restricted cash in the Teaching Fellows and CERRA scholarship funds (\$1.1M)
- Noncurrent Liabilities decreased by nearly \$1.9 million largely because of the issuance of \$13.1 million in General Obligation Bonds to refund \$14.7 million of outstanding General Obligation Bonds previously issued in years 2001 through 2005 (see Capital Asset and Debt Activity). In addition, the non-current portion of the compensated absence liability decreased by approximately \$345,000.
- Invested in Capital Assets, Net of Related Debt declined by \$6.8M. This decline occurred because of changes in asset values and debt. As mentioned earlier, the overall Capital Asset value declined by \$5.1 million as a result of depreciation expense in excess of new assets. However, long term debt decreased by \$1M. Even though the University issued new debt in FY12 (see Capital Asset and Debt Activity), overall debt declined as a result of the General Obligation Bond refunding and the payments made on debt throughout the year. And finally, the Invested in Capital Assets, Net of Related Debt value was reduced by bond proceeds spent (on non-capital project work) during the fiscal year, which had been on hand at the end of the previous fiscal year. In FY 2012, these proceeds were primarily spent for Phelps Hall renovations and totaled \$2.7M.
- The Restricted for Expendable Net Assets decreased by \$1M in the Debt Service fund as a result of the transfer of funds to the Institutional Capital Project Fund, additional bond premiums and accrued interest on the newly issued debt.
- Overall Net Assets declined by \$8,119,612.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in Total Net Assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012

	2012	2011	Increase/ (Decrease)
Operating Revenues	\$ 83,229,687	\$ 79,646,767	\$ 3,582,920
Operating Expenses	113,111,700	110,070,333	3,041,367
Operating Loss	(29,882,013)	(30,423,566)	541,553
Nonoperating Revenues and Expenses	20,588,256	24,622,520	(4,034,264)
Loss before Other Revenues, Expenses, Gains, or Losses	(9,293,757)	(5,801,046)	(3,492,711)
Other Revenues, Expenses, Gains, or Losses	1,174,145	82,059	1,092,086
Increase/(Decrease) in Net Assets	\$ (8,119,612)	\$ (5,718,987)	\$ (2,400,625)
Net Assets – Beginning of Year	\$ 78,401,353	\$ 84,120,340	\$ (5,718,987)
Decrease/Increase in Net Assets	(8,119,612)	(5,718,987)	(2,400,625)
Net Assets – End of Year	\$ 70,281,741	\$ 78,401,353	\$ (8,119,612)

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Operating Revenues increased by \$3,582,920. Of this increase, \$1.6 million was recognized in student academic fee revenue and \$610,000 in Sales and Services of Auxiliary Enterprise Activities as a result of the fee increase approved by the University's Board of Trustees in June 2011. In addition, there was a \$1.1 million increase in Grants and Contracts revenue from newly obtained grants and \$200,000 in Other Fees revenue resulting from an increase in Orientation and Safety fee revenue.
- Operating Expenses increased by \$3,041,367. Of this increase, \$1.1 million occurred in personnel costs. As personnel costs increased, so did the related fringe benefits. In addition, retirement and insurance benefit cost rates increased, causing an overall increase in fringe benefit costs of just under \$500,000. In addition, Service and Supplies expenses increased by \$1.4 million. These increases in Personnel Costs, Fringe Benefits and Service and Supplies costs were almost entirely incurred in newly obtained federal and state grants and the related match accounts.
- Nonoperating revenues decreased by just over \$4,000,000. This decline in revenue resulted primarily from the loss of the State Fiscal Stabilization (Federal Stimulus) Funds of \$3.4 million, as well as \$600,000 in State Appropriation revenue.

Capital Asset and Debt Activity

During the 2012 fiscal year, work continued on Phelps Residence Hall, as well as work to address deferred maintenance in various other University residence hall facilities. Work was completed just after fiscal year end and Phelps Hall was reopened for occupancy for Fall 2012.

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution through the State of South Carolina's Master Lease Program at an interest rate of 3.1805 percent. The proceeds are being used for the purchase of certain biology and chemistry scientific equipment.

On May 1, 2012, the University issued \$2,245,000 in Higher Education Revenue bonds. These bonds are being used to undertake improvements to address deferred maintenance and up-fit the Dacus Library, repurpose the Dinkins Building for University College and other academic units, enlarge and move Archives facilities from Dacus Library to the vacated Bookworm building, and repair roofs on several campus buildings.

Also on May 1, 2012, the University issued \$13,140,000 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds, Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B. The 2012D bonds bear an average coupon rate of 4.988 percent and a true interest cost of 1.551 percent. The University completed the refunding to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239.

Economic Outlook

As a public institution, the University economic outlook is directly affected by the State of South Carolina economic position. In Fiscal Year 2012, the state revenue picture improved slightly. While general State Appropriation funding remained constant for the 2013 fiscal year, the University did receive a \$1.3 million allocation for deferred maintenance, as well as additional allocations of approximately \$1.1 million for technology and maintenance needs.

However, the University will also recognize some increased costs in the new year. As mandated by the State of SC General Assembly, a 3% cost of living salary increase was given to all permanent faculty and staff. In addition, retirement benefit costs increased by more than 1% and health insurance benefit costs are also expected to increase in January 2013. With these increased costs and a still-unstable state and national economy, the University's management will continue to monitor factors and adjust budget projections accordingly to ensure the University's overall financial position remains sound.



J. P. McKee
Vice President for Finance and Business



Amanda Maghsoud
Associate Vice President for Finance and Business

WINTHROP UNIVERSITY

Statement of Net Assets

June 30, 2012

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 12,810,669
Accounts Receivable, Net	7,499,741
Inventories	315,629
Accrued Interest Receivable	63,736
Prepayments	1,217,083
Total Current Assets	<u>21,906,858</u>

NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	6,720,818
Endowment	1,066,502
Perkins Loans Receivable, Net	2,314,902
Capital Assets, Net	131,017,092
Total Noncurrent Assets	<u>141,119,314</u>
Total Assets	<u><u>163,026,172</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	10,355,186
Deferred Revenue	1,191,221
Current Portion of Long Term Debt	6,338,076
Current Portion of Compensated Absences	2,243,518
Total Current Liabilities	<u>20,128,001</u>

NONCURRENT LIABILITIES

Compensated Absences	782,553
Perkins Loan Federal Liability	2,386,288
Bond Premium on Long Term Debt	3,221,724
Long Term Debt	66,225,865
Total Noncurrent Liabilities	<u>72,616,430</u>
Total Liabilities	<u><u>92,744,431</u></u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	56,852,729
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	497,918
Expendable:	
Scholarships and Fellowships	339,967
Grants	1,033,255
Loans	301,895
Debt Service	324,127
Unrestricted	10,931,850
Total Net Assets	<u><u>\$ 70,281,741</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

REVENUES

OPERATING REVENUES

Student Tuition and Fees (of which \$481,014 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,188,923 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$26,103,623)	\$ 45,714,407
Grants and Contracts	20,676,717
Sales and Services of Educational Activities	2,020,513
Sales and Services of Athletic Activities	1,373,605
Sales and Services of Auxiliary Enterprise Activities (of which \$2,645,668 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	12,241,562
Other Fees	876,566
Other Operating Revenues	<u>326,317</u>
Total Operating Revenues	<u>83,229,687</u>

EXPENSES

Personnel Costs	53,319,968
Fringe Benefits	14,636,536
Service and Supplies	28,958,942
Utilities	3,264,628
Scholarships and Fellowships	6,534,654
Depreciation	<u>6,396,972</u>
Total Operating Expenses	<u>113,111,700</u>
Operating Loss	<u>(29,882,013)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	12,429,168
Grants and Contracts	2,726
Federal Grants and Contracts	8,433,738
Gifts	1,302,846
Investment Income/(Loss)	368,259
Interest Expense	(2,778,002)
Other Nonoperating Revenues	<u>829,521</u>
Net Nonoperating Revenues	<u>20,588,256</u>
Loss Before Other Revenues, Expenses, Gains or Losses	(9,293,757)
Federal Capital Grants and Contracts	-
Capital Appropriations	<u>1,174,145</u>
Increase/(Decrease) in Net Assets	(8,119,612)

NET ASSETS

Net Assets - Beginning of Year	<u>78,401,353</u>
Net Assets - End of Year	<u><u>\$ 70,281,741</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 45,257,022
Grants and Contracts	19,303,166
Sales and Services of Educational Activities	1,990,800
Sales and Services of Athletic Activities	1,401,146
Sales and Services of Auxiliary Enterprise Activities	12,241,562
Other Fees	876,566
Collection of Loans	314,350
Receipts of Funds Held for Others	2,833,590
Inflows from Federal Direct Lending Loans to Students	38,648,919
Other Receipts	326,318

CASH PAID FOR

Personnel Costs	(54,423,360)
Fringe Benefits	(15,110,028)
Service and Supplies	(29,333,849)
Utilities	(3,264,629)
Students	(6,608,610)
Loans to Students	(380,500)
Payments of Funds Held for Others	(1,666,859)
Outflows from Federal Direct Lending Loans to Students	(38,613,809)
Net Cash Used by Operating Activities	<u>(26,208,205)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	12,706,534
Gifts and Grants	1,302,846
Federal Grants and Contracts	8,441,166
Commissions	558,430
Other Sources	356,155
Principal Paid on Noncapital Debt and Lease	(14,720,000)
Proceeds from Debt	14,724,772
Net Cash Provided by Noncapital Financing Activities	<u>23,369,903</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	4,725,624
Federal Capital Grants and Contracts	-
Capital Appropriations	1,174,146
Purchases of Capital Assets	(1,296,201)
Principal Paid on Capital Debt and Lease	(5,782,926)
Interest and Fees	(2,774,297)
Net Cash Used by Capital and Related Financing Activities	<u>(3,953,654)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>375,110</u>
Net Cash Provided by Investing Activities	<u>375,110</u>
Net Change in Cash and Cash Equivalents	(6,416,846)
Cash and Cash Equivalents - Beginning of Year	<u>27,014,835</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 20,597,989</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2012

**Reconciliation of Operating Loss to Net Cash
Provided (Used) by Operating Activities:**

Operating Loss	\$ (29,882,013)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	6,396,972
Change in Assets and Liabilities:	
Accounts Receivable, Net	(1,368,830)
Inventories	36,593
Prepayments	(421,471)
Accounts Payable and Accrued Liabilities	597,171
Accrued Salaries and Related Expenses	(1,563,088)
Deferred Revenue	10,257
Compensated Absences	(13,796)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (26,208,205)</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

Cash and Cash Equivalents Classified as Current	\$ 12,810,669
Cash and Cash Equivalents Classified as Noncurrent Restricted	6,720,818
Cash and Cash Equivalents Classified as Noncurrent Endowment	1,066,502
	<hr/>
	<u><u>\$ 20,597,989</u></u>

Non-Cash Transactions:

Disposal of Capital Assets	\$ (85,065)
Acquisition of Capital Assets Through Donations	-
	<hr/>
	<u><u>\$ (85,065)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(With comparative information for December 31, 2010)

Assets	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		Agency Funds	December 31	
			Endowment Funds	Split-Interest Agreements		2011 Total	2010 Total
Assets:							
Cash and Equivalents	\$ 643	156,649	2,332,347	119,275	12,341	2,621,255	1,740,301
Accrued Interest and Dividends	-	-	-	-	-	-	75,770
Contributions Receivable	32,647	422,607	985,403	-	-	1,440,657	2,872,428
Pooled Investments, at Fair Value	-	3,296,767	24,244,741	-	128,288	27,669,796	29,670,045
Investments, at Fair Value	-	-	-	1,239,865	-	1,239,865	3,839,857
Due From Other Funds	-	70	10,639	87,367	188	- *	-
Prepaid Expenses	11,896	-	-	-	-	11,896	-
Beneficial Interest in Perpetual Trust	115,963	-	-	5,266,180	-	5,382,143	436,401
Cash Value of Life Insurance	-	18,119	78,728	-	-	96,847	100,776
Office Furniture & Equipment, at Cost							
Net of Depreciation of \$143,694	20,617	-	-	-	-	20,617	35,757
Total Assets	\$ 181,766	3,894,212	27,651,858	6,712,687	140,817	38,483,076	38,771,335
Liabilities and Net Assets							
Liabilities:							
Accounts Payable	248,985	8,902	3,073	-	-	205,043	72,809
Payroll Liabilities	14,160	-	-	-	-	14,160	-
Actuarial Liability of Annuities Payable	-	-	-	3,235,719	-	3,235,719	2,486,752
Due To Other Funds	42,347	-	-	-	-	- *	-
Agency Funds	-	-	-	-	140,817	140,817	163,808
Total Liabilities	305,492	8,902	3,073	3,235,719	140,817	3,595,739	2,723,369
Net Assets:							
Unrestricted	(123,726)	-	-	-	-	(123,726)	265,446
Temporarily Restricted	-	3,885,310	-	-	-	3,885,310	5,551,608
Permanently Restricted	-	-	27,648,785	3,476,968	-	31,125,753	30,230,912
Total Net Assets	(123,726)	3,885,310	27,648,785	3,476,968	-	34,887,337	36,047,966
Total Liabilities and Net Assets	\$ 181,766	3,894,212	27,651,858	6,712,687	140,817	38,483,076	38,771,335

* Interfund accounts do not constitute assets or liabilities of the entity as a whole.

The accompanying notes are an integral part of the financial statements.

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative information for the year ended December 31, 2010)

			Permanently Restricted		December 31	
	Unrestricted	Temporarily	Split-		2011	2010
	Fund	Restricted	Endowment	Interest	Total	Total
		Funds	Funds	Agreements		
Revenues, Gains and Other Support:						
Contributions	\$ 539,614	1,295,452	1,636,787	115,174	3,587,027	4,439,028
Investment Earnings (Losses)	1,400,000	-	(1,405,887)	-	(5,887)	3,558,115
Increase (Decrease) in Cash Surrender Value	-	1,501	(5,430)	(8,610)	(12,539)	(76,921)
Provision for Uncollectible Pledges	(55,464)	(151,579)	92,766	-	(114,277)	23,917
Change in Value of Split-Interest Trusts	-	-	-	60,577	60,577	290,649
	<u>\$ 1,884,150</u>	<u>1,145,374</u>	<u>318,236</u>	<u>167,141</u>	<u>3,514,901</u>	<u>8,234,788</u>
Net Assets Released From Restriction -						
Scholarships and Grants	<u>1,746,215</u>	<u>(682,248)</u>	<u>(719,658)</u>	<u>(344,309)</u>	<u>-</u>	<u>-</u>
Expenses:						
Operating Expenses	431,456	-	-	-	431,456	576,883
Fundraising Expenses	1,248,897	-	-	-	1,248,897	1,156,508
Grants to Winthrop University	<u>2,339,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,339,221</u>	<u>1,581,954</u>
Total Expenses	<u>4,019,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,019,574</u>	<u>3,315,345</u>
Net Increase (Decrease) in Net Assets Before Transfers	(389,209)	463,126	(401,422)	(177,168)	(504,673)	4,919,443
Net Transfers	<u>-</u>	<u>(8,382)</u>	<u>331,932</u>	<u>(575,240)</u>	<u>(251,690)</u>	<u>-</u>
	(389,209)	454,744	(69,490)	(752,408)	(756,363)	4,919,443
Net Assets, Beginning of Period	<u>265,483</u>	<u>3,430,566</u>	<u>27,718,275</u>	<u>4,229,376</u>	<u>35,643,700</u>	<u>31,128,523</u>
Net Assets, End of Period	<u>\$ (123,726)</u>	<u>3,885,310</u>	<u>27,648,785</u>	<u>3,476,968</u>	<u>34,887,337</u>	<u>36,047,966</u>

The accompanying notes are an integral part of the financial statements.

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 3,059,392	\$ 16,661	\$ 3,076,053
Accounts receivable	28,842	1,410	30,252
Prepaid expenses	14,098	-	14,098
Total current assets	3,102,332	18,071	3,120,403
Property and equipment, net	13,738,207	-	13,738,207
Other assets:			
Bond closing costs, net	160,390	-	160,390
Real estate gifts	-	1,035,000	1,035,000
Other assets	5,000	-	5,000
Total other assets	165,390	1,035,000	1,200,390
Total assets	<u>\$ 17,005,929</u>	<u>\$ 1,053,071</u>	<u>\$ 18,059,000</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 38,770	\$ -	\$ 38,770
Current portion of long-term debt	434,522	-	434,522
Total current liabilities	473,292	-	473,292
Long-term debt :			
Bonds payable	17,315,000	-	17,315,000
Notes payable	95,051	-	95,051
Less: current portion of long-term debt	(434,522)	-	(434,522)
Total long-term debt	16,975,529	-	16,975,529
Total liabilities	17,448,821	-	17,448,821
Net Assets:			
Unrestricted	(442,892)	-	(442,892)
Temporarily restricted	-	1,053,071	1,053,071
Total net assets	(442,892)	1,053,071	610,179
Total liabilities and net assets	<u>\$ 17,005,929</u>	<u>\$ 1,053,071</u>	<u>\$ 18,059,000</u>

The accompanying notes are an integral part of the financial statements.

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Changes in Net Assets</u>			
Revenue			
Program revenues	\$ 2,452,647	\$ -	\$ 2,452,647
Real estate gifts	-	-	-
Income from real estate gifts, net	(543)	17,295	16,752
Rental income from Winthrop University	-	-	-
Rental income	<u>6,050</u>	<u>-</u>	<u>6,050</u>
Total revenue	2,458,154	17,295	2,475,449
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	2,458,154	17,295	2,475,449
Expenses			
Program services	2,451,254	-	2,451,254
Management and general	<u>36,427</u>	<u>-</u>	<u>36,427</u>
Total expenses	<u>2,487,681</u>	<u>-</u>	<u>2,487,681</u>
Changes in net assets	(29,527)	17,295	(12,232)
Net assets, December 31, 2010	<u>(413,365)</u>	<u>1,035,776</u>	<u>622,411</u>
Net assets, December 31, 2011	<u><u>\$ (442,892)</u></u>	<u><u>\$ 1,053,071</u></u>	<u><u>\$ 610,179</u></u>

The accompanying notes are an integral part of the financial statements.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

Reporting Entity: Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on May 17, 1983, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2011. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLCs' charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility and to build revenue for future housing development.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reporting Entity: Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2011. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 18) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

Basis of Presentation: Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 4).

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventories: Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

Prepayments: Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2012 but for which the goods or services would not be received until after July 1, 2012.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

Deferred Charges: Deferred charges are typically associated with the issuance of bonds. When material, these charges are amortized over the life of the bond.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of deferred revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Assets.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets: The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Assets.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Sales and Services of Educational Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

Sales and Services of Athletic Activities: Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

Sales and Services of Auxiliary Enterprises Activities: Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

Use of Estimates in Accounting: The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

Income Taxes: Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Component Units: See Note 18.

NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 12,810,669
Cash and Cash Equivalents - Restricted	
Debt Service	1,946,753
Capital Project	1,040,795
Student Loan	4,618,151
Grants and Contracts	(885,241)
Other	360
Cash and Cash Equivalents - Endowment	1,066,502
Total	<u>\$ 20,597,989</u>
DEPOSITS:	
Cash on Hand	\$ 296,302
Deposits Held by State Treasurer	20,301,687
Other Deposits	-
Total	<u>\$ 20,597,989</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS, Continued

Perkins Loan Program Cash

At June 30, 2012, Winthrop University had approximately \$189,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$0 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2012, Winthrop University had \$20,301,687 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Concentrations of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Units

The Winthrop University Foundation

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$182,064 at December 31, 2011. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Units

Winthrop University Real Estate Foundation, Inc.

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2011 was \$2,846,879.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Cash and cash equivalents at December 31, 2011 were as follows:

Unrestricted	\$	3,059,392
Restricted		16,661
	\$	<u>3,076,053</u>

The restricted cash is to transfer to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS, Continued

Winthrop University Real Estate Foundation, Inc.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit, Continued

Included in unrestricted cash are funds on deposit within WUREF, LLC. These funds relate to the issuance of bonds used to construct The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The reserve accounts at December 31, 2011 are as follows:

Debt service reserve eligible funds	\$ 1,000,000
Repair and replacement reserve fund	806,216
Bond revenue fund	1,040,663
Other miscellaneous reserve funds	<u>5,000</u>
	<u><u>\$ 2,851,879</u></u>

Investments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Investments at December 31, 2011 are summarized as follows:

	Market Value
Equities	\$ 19,039,177
Fixed Income	5,912,973
Hedge Fund	1,913,199
Real Estate	831,121
Stocks	643
Commodities	<u>1,212,548</u>
	<u><u>\$ 28,909,661</u></u>

Investment earnings for the year ended December 31, 2011 consisted of:

Dividends and Interest	\$ 1,167,661
Unrealized Gains (Losses)	<u>(1,173,548)</u>
	<u><u>\$ (5,887)</u></u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS, Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

The Foundation's assets and liabilities are reported at fair value in the accompanying consolidated statements of financial position using fair value measurements as follows:

	December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities				
U.S. Large Cap	9,780,108	-	-	9,780,108
U.S. Mid Cap	2,886,942	-	-	2,886,942
U.S. Small Cap	1,142,689	-	-	1,142,689
International Developed	2,958,568	-	-	2,958,568
Emerging Markets	2,125,292	-	-	2,125,292
Fixed Income				
Investment Grade Taxable	3,666,867	-	-	3,666,867
International Developed Bonds	570,001	-	-	570,001
Global High Yield Taxable	565,164	-	-	565,164
Fixed Income Other	1,110,941	-	-	1,110,941
Hedge Funds				
Hedge Fund Fund of Funds	-	-	1,913,199	1,913,199
Real Estate				
Public REITs	-	-	831,121	831,121
Tangible Assets				
Commodities	1,212,548	-	-	1,212,548
Stock Funds				
Fidelity Funds	146,221	-	-	146,221
Total Investments in Securities	<u>\$ 26,165,341</u>	<u>-</u>	<u>2,744,320</u>	<u>28,909,661</u>

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.) and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS, Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit, Continued

The Winthrop University Foundation

Level 1 Fair Value Measurements

The fair values of the mutual funds and common stock are based on quoted market prices.

Level 2 Fair Value Measurements

The certificates of deposits are based on fair values as determined by the financial institutions.

Level 3 Fair Value Measurements

The unconditional promises to give are not actively traded and significant other observable inputs are not available. The fair value for unconditional promises to give is based on outstanding pledges adjusted to present value using discount rates ranged from .20% to 2.6%.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012, are summarized as follows:

State Appropriations	\$ 2,496,292
Student Accounts	2,317,708
Less Allowance for Doubtful Accounts	(245,919)
Student Loans Receivable - Federal Perkins	2,314,902
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	1,969,059
State Grants and Contracts	394,311
Local Grants and Contracts	-
Foundations	395,937
Capital Improvement Bond Funds	130
Other	172,223
	<hr/>
Total Accounts Receivable, Net of Allowance	9,814,643
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,314,902)
	<hr/>
Accounts Receivable, Net - Current	<u><u>\$ 7,499,741</u></u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2012-2013 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2012, the allowance for uncollectible student accounts is valued at \$245,919.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 3 - ACCOUNTS RECEIVABLE, Continued

Contributions Receivable - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2011:

Less than One Year	\$ 780,176
One to Five Years	841,678
Over Five Years	91,000
	<u>1,712,854</u>
Less Unamortized Discount	91,819
	<u>1,621,035</u>
Less Allowance for Uncollectible Promises	180,378
Net Unconditional Promises to Give	<u><u>\$ 1,440,657</u></u>

Discount rates ranged from .2% to 2.6%.

NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2012. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2012, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,386,288, representing the Federal portion of the loan program at June 30, 2012. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance July 1, 2011	Increases	Decreases	Transfers	Ending Balance June 30, 2012
Capital Assets Not Being Depreciated:					
Land	\$ 5,539,853	-	-	-	5,539,853
Construction in Progress	-	-	-	-	-
Collections	198,631	-	-	-	198,631
Total Capital Assets Not Being Depreciated	5,738,484	-	-	-	5,738,484
Other Capital Assets:					
Buildings and Improvements	185,806,161	51,095	-	-	185,857,256
Machinery, Equipment and Other	16,401,717	1,245,107	(738,626)	-	16,908,198
Vehicles	527,962	-	(13,483)	-	514,479
Total Other Capital Assets at Historical Cost	202,735,840	1,296,202	(752,109)	-	203,279,933
Less Accumulated Depreciation For:					
Buildings and Improvements	(63,987,507)	(5,105,929)	-	(44,927)	(69,138,363)
Machinery, Equipment and Other	(7,845,177)	(1,267,455)	656,258	44,927	(8,411,447)
Vehicles	(438,713)	(23,588)	10,786	-	(451,515)
Total Accumulated Depreciation	(72,271,397)	(6,396,972)	667,044	-	(78,001,325)
Capital Assets, Net	\$ 136,202,927	(5,100,770)	(85,065)	-	131,017,092

Invested in capital assets, net of related debt, of \$56,852,729 as of June 30, 2012 is determined as follows:

Capital Assets, Net	\$ 131,017,092
Less Debt:	
Current Portion of Long Term Debt	(6,338,076)
Long Term Debt	(66,225,865)
Bond Premium of Long Term Debt	(3,221,724)
Plus Note Payable/Non Capital	195,476
Plus Unspent Bond Proceeds	1,425,826
Total Invested in Capital Assets, Net of Related Debt	\$ 56,852,729

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 5 - CAPITAL ASSETS, Continued

Equipment - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

A summary of equipment at December 31, 2011 follows:

Equipment	\$ 164,311
Less Accumulated Depreciation	<u>(143,694)</u>
Total	<u><u>\$ 20,617</u></u>

Depreciation expense for the year ended December 31, 2011 was \$15,139.

Property and Equipment - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Account balances as of December 31, 2011 are as follows:

Land	\$ 537,106
Buildings	16,079,908
Furniture and fixtures	680,414
Machinery and equipment	<u>14,526</u>
	17,311,954
Less: accumulated depreciation	<u>(3,573,747)</u>
	<u><u>\$ 13,738,207</u></u>

Depreciation charged to expense during 2011 was \$322,610. This is a non-cash expense.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2012, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 3,528,283
Trade Payables	1,367,969
Accrued Interest Payable	733,568
Student Deposits and Prepayments	4,675,111
Construction Contract Retainage	50,255
Other Accrued Liabilities	<u>-</u>
Total Accounts Payable	<u><u>\$ 10,355,186</u></u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, Continued

Accounts Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

At December 31, 2011, accounts payable primarily consisted of \$38,770 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

NOTE 7 - LONG-TERM DEBT

Long-term debt for the year ended June 30, 2012 is as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 52,730,000	15,385,000	(17,435,000)	50,680,000	2,880,000
Deferred Amount on Refunding	-	(1,035,984)	103,598	(932,386)	-
Unamortized Premium	346,963	3,000,964	(126,203)	3,221,724	-
Athletic Facilities	1,200,000	-	(120,000)	1,080,000	120,000
Higher Education Facilities	14,265,000	-	(1,075,000)	13,190,000	1,140,000
Notes Payable	3,405,330	226,619	(689,794)	2,942,155	605,103
Master Lease Program					
Notes Payable	4,890,902	2,000,000	(1,286,730)	5,604,172	1,592,973
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	76,838,195	19,576,599	(20,629,129)	75,785,665	6,338,076
Other Liabilities					
Accrued Compensated Absences	3,039,867	2,164,377	(2,178,173)	3,026,071	2,243,518
Perkins Loan Federal Liability	2,397,713	-	(11,425)	2,386,288	-
Total Other Liabilities	5,437,580	2,164,377	(2,189,598)	5,412,359	2,243,518
Total Long-Term Liabilities	\$ 82,275,775	21,740,976	(22,818,727)	81,198,024	8,581,594

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2012:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2001A2	4.3% to 4.9%	10/01/20	\$ -
Series 2001B5	4.5% to 5.5%	10/01/21	-
Series 2003C	3.5% to 4.75%	04/01/22	-
Series 2004A1	3.0% to 5.0%	12/01/21	550,000
Series 2005B	3.5% to 5.5%	04/01/25	5,700,000
Series 2006A	4.12% to 5.75%	04/01/26	5,035,000
Series 2008B	3.25% to 5.0%	04/01/28	11,860,000
Series 2009A	2.5% to 4.12%	06/30/29	12,150,000
Series 2012D	4.0% to 5.0%	04/01/22	13,140,000
Series 2012E	2.5% to 5.0%	04/01/24	2,245,000
Total General Obligation Bonds			50,680,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	1,080,000
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	1,025,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	1,400,000
Revenue Bonds Series 2009A	4.07%	04/01/24	3,775,000
Revenue Bonds Series 2009B	6.35%	04/01/24	1,795,000
Revenue Bonds Series 2011	5.20%	04/01/23	5,195,000
Total Higher Education Facilities			13,190,000
Total Bonds Payable			<u>\$ 64,950,000</u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2011 were \$6,203,206, which results in a legal annual debt service at June 30, 2012 of \$5,582,885.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

The scheduled maturities of the bonds payable by type are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds				
2004A1	2013	270,000	12,450	282,450
	2014	280,000	4,200	284,200
	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2018-2022	-	-	-
	2023-2027	-	-	-
	2028-2032	-	-	-
Total Series 2004A1 Bonds		<u>\$ 550,000</u>	<u>16,650</u>	<u>566,650</u>
2005B	2013	720,000	235,149	955,149
	2014	725,000	209,949	934,949
	2015	755,000	182,761	937,761
	2016	-	145,011	145,011
	2017	-	145,011	145,011
	2018-2022	-	725,056	725,056
	2023-2027	3,500,000	295,548	3,795,548
	2028-2032	-	-	-
Total Series 2005B Bonds		<u>\$ 5,700,000</u>	<u>1,938,485</u>	<u>7,638,485</u>
2006A	2013	270,000	221,894	491,894
	2014	280,000	208,394	488,394
	2015	295,000	194,394	489,394
	2016	305,000	182,594	487,594
	2017	320,000	170,013	490,013
	2018-2022	1,805,000	636,068	2,441,068
	2023-2027	1,760,000	201,987	1,961,987
	2028-2032	-	-	-
Total Series 2006A Bonds		<u>\$ 5,035,000</u>	<u>1,815,344</u>	<u>6,850,344</u>
2008B	2013	540,000	486,113	1,026,113
	2014	560,000	468,562	1,028,562
	2015	580,000	448,963	1,028,963
	2016	600,000	428,662	1,028,662
	2017	620,000	407,663	1,027,663
	2018-2022	3,520,000	1,587,912	5,107,912
	2023-2027	4,420,000	800,200	5,220,200
	2028-2032	1,020,000	44,625	1,064,625
Total Series 2008B Bonds		<u>\$ 11,860,000</u>	<u>4,672,700</u>	<u>16,532,700</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
General Obligation Bonds, Continued				
2009A	2013	555,000	449,736	1,004,736
	2014	565,000	435,861	1,000,861
	2015	575,000	421,736	996,736
	2016	590,000	407,361	997,361
	2017	605,000	392,611	997,611
	2018-2022	3,330,000	1,636,857	4,966,857
	2023-2027	4,045,000	891,981	4,936,981
	2028-2032	1,885,000	117,563	2,002,563
Total Series 2009A Bonds		<u>\$ 12,150,000</u>	<u>4,753,706</u>	<u>16,903,706</u>
2012D				
	2013	375,000	595,375	970,375
	2014	375,000	634,500	1,009,500
	2015	655,000	619,500	1,274,500
	2016	1,450,000	586,750	2,036,750
	2017	1,525,000	514,250	2,039,250
	2018-2022	8,760,000	1,336,000	10,096,000
	2023-2027	-	-	-
	2028-2032	-	-	-
Total Series 2012D Bonds		<u>\$ 13,140,000</u>	<u>4,286,375</u>	<u>17,426,375</u>
2012E				
	2013	150,000	90,544	240,544
	2014	150,000	92,775	242,775
	2015	155,000	86,775	241,775
	2016	160,000	79,025	239,025
	2017	170,000	71,025	241,025
	2018-2022	995,000	217,875	1,212,875
	2023-2027	465,000	18,650	483,650
	2028-2032	-	-	-
Total Series 2012E Bonds		<u>\$ 2,245,000</u>	<u>656,669</u>	<u>2,901,669</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
Athletic Facilities Revenue Bonds				
2001A5	2013	120,000	49,572	169,572
	2014	120,000	44,064	164,064
	2015	120,000	38,556	158,556
	2016	120,000	33,048	153,048
	2017	120,000	27,540	147,540
	2018-2022	480,000	55,080	535,080
	2023-2027	-	-	-
Total Series 2001A5 Bonds		<u>\$ 1,080,000</u>	<u>247,860</u>	<u>1,327,860</u>
Higher Education Facilities Revenue Bonds				
2002B5	2013	500,000	46,945	546,945
	2014	525,000	24,045	549,045
	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2018-2022	-	-	-
	2023-2027	-	-	-
Total Series 2002B5 Bonds		<u>\$ 1,025,000</u>	<u>70,990</u>	<u>1,095,990</u>
Higher Education Facilities Revenue Bonds				
2005A3	2013	260,000	47,600	307,600
	2014	270,000	38,760	308,760
	2015	280,000	29,580	309,580
	2016	290,000	20,060	310,060
	2017	300,000	10,200	310,200
	2018-2022	-	-	-
	2023-2027	-	-	-
Total Series 2005A3 Bonds		<u>\$ 1,400,000</u>	<u>146,200</u>	<u>1,546,200</u>
Higher Education Facilities Revenue Bonds				
2009A	2013	250,000	153,642	403,642
	2014	260,000	143,468	403,468
	2015	270,000	132,886	402,886
	2016	280,000	121,896	401,896
	2017	295,000	110,501	405,501
	2018-2022	1,660,000	362,840	2,022,840
	2023-2027	760,000	46,805	806,805
Total Series 2009A Bonds		<u>\$ 3,775,000</u>	<u>1,072,038</u>	<u>4,847,038</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
Higher Education Facilities Revenue Bonds				
2009B	2013	105,000	113,983	218,983
	2014	110,000	107,315	217,315
	2015	120,000	100,330	220,330
	2016	125,000	92,710	217,710
	2017	135,000	84,773	219,773
	2018-2022	800,000	285,750	1,085,750
	2023-2027	400,000	38,417	438,417
Total Series 2009B Bonds		<u>\$ 1,795,000</u>	<u>823,278</u>	<u>2,618,278</u>
Higher Education Facilities Revenue Bonds				
2011	2013	25,000	270,140	295,140
	2014	30,000	268,840	298,840
	2015	280,000	267,280	547,280
	2016	300,000	252,720	552,720
	2017	305,000	237,120	542,120
	2018-2022	3,465,000	761,540	4,226,540
	2023-2027	790,000	41,080	831,080
Total Series 2011 Bonds		<u>\$ 5,195,000</u>	<u>2,098,720</u>	<u>7,293,720</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2012, the University has unamortized premium of \$13,381 which is being amortized over the life of the bond.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center. As of June 30, 2012, the University has unamortized premium of \$37,745 which is being amortized over the life of the bond.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2012, the University has unamortized premium of \$24,437 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds were used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2012, the University has unamortized premium of \$89,142 which is being amortized over the life of the bond.

On June 5, 2009, Winthrop University issued \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A with an interest rate of 4.07 percent. The proceeds were used for the construction of a new campus center.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

On June 5, 2009, Winthrop University also issued \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds were used for the construction of a new campus center.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds were used for the construction of a new campus center. As of June 30, 2012, the University has unamortized premium of \$142,826 which is being amortized over the life of the bond.

On March 9, 2011, Winthrop University issued \$5,200,000 in Higher Education Revenue Bonds Series 2011 with an interest rate of 5.20 percent. The proceeds are being used to renovate a residence hall and to address deferred maintenance in various other residence hall facilities. As of June 30, 2012, the University recorded interest expense of \$278,643, construction fund interest income of \$68,814 and capitalized interest cost of \$209,829 for this project.

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2012, the University has unamortized premium of \$2,620,756 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds are being used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2012, the University has unamortized premium of \$344,563 which is being amortized over the life of the bond.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Bonds payable consists of the following at December 31, 2011:

South Carolina Jobs - Economic Development Authority
variable rate demand Economic Development Revenue
Bonds. Issued December 1, 2011 with an effective
variable interest rate currently at 3.69%. Interest is
payable monthly, and principal is payable in varying
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u><u>\$ 17,315,000</u></u>
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$540,356 for the year ended December 31, 2011. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.69%.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2012	\$	430,000
2013		455,000
2014		470,000
2015		495,000
2016		525,000
Thereafter		14,940,000
		<u>\$ 17,315,000</u>

Certain bond issuance costs, including underwriter's fees and attorney fees, have been classified as other assets and are being amortized over the life of the bonds to its final scheduled maturity date. Upon the retirement of the Series 2002A issuance, the remaining \$350,511 of bond issuance costs were expensed during 2011.

Similar bond issuance costs in the amount of \$160,973 for the Series 2011 issuance were classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity. Amortization expense for the bond closing costs was \$583 for the period ended December 31, 2011.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2012:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note (Energy Office) 4-204-04	1.0%	12/01/12	\$ 64,709
Note (Energy Office) 4-205-04	1.0%	12/01/12	64,709
Note (Energy Office) 4-202-06	3.25%	06/01/12	-
Note Dated 5/10/07	1.284%	05/15/18	-
Note Dated 6/12/09	0.0%	05/30/18	2,730,000
Note Dated 10/23/09	0.0%	11/01/15	82,737
Total Notes Payable			<u>\$ 2,942,155</u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

On December 1, 2004, Winthrop University borrowed \$970,162 from the State Energy Office with an average interest rate of 1.00 percent. An additional \$29,838 was borrowed in July 2005 bringing the total to \$1,000,000. The proceeds were used to renovate facilities to enhance Energy Performance.

On April 3, 2006, Winthrop University borrowed \$475,825 from the State Energy Office with an average interest rate of 3.25 percent. An additional \$24,175 was borrowed in July 2007 bringing the total to \$500,000. The proceeds were used to remove and replace an existing steam boiler. In June 2012, the University paid the final installment of the note payable.

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University had agreed to repay the vendor over a period of ten years; however, in June 2009, the University amended this agreement to repay the vendor in annual installments over a period of four years. If the contract with the food service vendor was discontinued prior to the maturity date of the note, then the University would have been responsible for paying the balance due in full. In May 2012, the University paid the final installment of the note payable.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and the purchase and installation of food service equipment in the new campus center. As of June 30, 2012, the food service vendor expended the entire amount of this commitment. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable, Continued

In October 2009, the University received an award from the State Energy Program, American Recovery and Reinvestment Act (ARRA), in the amount of \$416,476 for energy efficiency and renewable energy improvements. The proceeds were used to replace approximately 418 feet of underground steam piping and condensate return lines that supply the University's North Campus. As of June 30, 2011, the University had drawn \$413,680 of the total award. According to the terms of the award, \$103,420, or 25 percent of the amount drawn, was issued as a loan at 0 percent interest to be paid back from the energy savings recognized from the grant award. The University shall repay the loan in annual installments over a period of five years beginning two years from the date of the award.

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 605,103	1,301	606,404
2014	475,684	-	475,684
2015	475,684	-	475,684
2016	475,684	-	475,684
2017	455,000	-	455,000
2018-2022	455,000	-	455,000
Total Obligations	<u>\$ 2,942,155</u>	<u>1,301</u>	<u>2,943,456</u>

Notes Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

In connection with the issuance of the bonds, WUREF, LLC also entered into note payable agreements with a financial institution related to the bonds payable. The balance at December 31, 2011 for these various notes payable was \$4.

On October 15, 2010, WRE, LLC borrowed \$100,000 from a financial institution with an average interest rate of 5.96 percent. The proceeds were used to purchase real property. The note is payable in monthly installments plus interest. In October 2015, there is a balloon payment due of \$76,924 for the unpaid balance of principal and interest.

Maturity on the note payable is scheduled as follows for years ending December 31:

2012	\$ 4,522
2013	4,819
2014	5,118
2015	80,592
2016	-
	<u>\$ 95,051</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2012, the University had bank notes payable outstanding as follows:

	Interest Rates	Maturity Dates	Balance
Note Dated June 16, 2004	3.56%	06/16/14	1,030,174
Note Dated June 16, 2008	3.665%	06/16/15	2,573,998
Note Dated July 12, 2011	3.1805%	07/12/18	2,000,000
Total			<u>\$ 5,604,172</u>

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there was a balloon payment due of \$1,990,711; however, the University refinanced the note to extend the maturity date to June 16, 2014.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds were used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest.

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 3.1805 percent. The proceeds are being used for the purchase of certain biology and chemistry scientific equipment. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,592,973	194,637	1,787,610
2014	1,649,574	138,036	1,787,610
2015	1,165,426	79,419	1,244,845
2016	285,155	38,045	323,200
2017	294,224	28,976	323,200
2018-2022	616,820	29,581	646,401
Total Obligations	<u>\$ 5,604,172</u>	<u>508,694</u>	<u>6,112,866</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 8 - LEASE OBLIGATIONS

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2012 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2013	\$ -	23,606
2014	-	6,201
2015	-	1,998
2016	-	-
2017	-	-
Total Lease Payments	-	31,805
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>31,805</u>

Capital Leases

As of June 30, 2012, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and vehicles. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$258,146 for fiscal year 2012. For the year ending June 30, the University's lease expense for the vehicles and building were \$32,885 and \$27,000, respectively.

NOTE 9 - PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 9 - PENSION PLANS, Continued

South Carolina Retirement System

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

Effective July 1, 2006, employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2011, the employer contribution rate became 13.835 percent which included a 4.3 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2012, 2011 and 2010 were \$2,251,859, \$2,115,860, and \$2,102,054, respectively, and equaled the required contributions of 9.385 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$35,991 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2011, the employer contribution rate became 15.663 percent which, as for the SCRS, included the 4.3 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2012, 2011 and 2010 were \$76,994, \$73,975, and \$67,701, respectively, and equaled the required contributions of 11.363 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,355 and accidental death insurance contributions of \$1,355 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.385 percent plus the retiree surcharge of 4.3 percent from the employer in fiscal year 2012.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$2,003,062 (excluding the surcharge) from University as employer and \$1,387,310 from its employees as plan members.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 9 - PENSION PLANS, Continued

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$4,016,525 for the year ended June 30, 2012. The University paid \$2,118,414 applicable to the 4.3 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.3% and 3.9% of annual covered payroll for 2012 and 2011, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$2,118,414 and \$1,807,023 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2012 and 2011, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.22 for the fiscal years ended June 30, 2012 and 2011.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS, Continued

The University had outstanding commitments under construction contracts of \$286,033 at June 30, 2012 of which \$0 was attributable to capital projects and the remaining \$286,033 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2012.

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized research infrastructure bond proceeds available to draw at June 30, 2012.

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Contingencies and Litigation - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

In connection with the Bonds issued and outstanding (See Note 7), WUREF, LLC had obtained an unconditional, irrevocable letter of credit from a certain bank to secure the Bonds in the event of non-payment and for use as a conduit for annual principal payments. This letter of credit was cancelled as a result of the repurchase of the Series 2002A bond issuance.

NOTE 13 - RELATED PARTIES

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

At June 30, 2012, the University held \$497,918 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2012 was \$470,272. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2012, the income available to be spent is \$241,538 of which \$139,676 is restricted to specific purposes.

Endowment - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

The Foundation's endowment consists of around 300 individual funds established for a variety of purposes. Its endowment includes permanent endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees recognizes and supports the legal requirements to preserve the amount explicitly given by the donor. Therefore, the Foundation classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and subsequent gifts to the endowment.

December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	-	1,583,024	26,135,251	27,718,275
New Gifts	-	-	231,900	231,900
Released from Restriction	-	(733,660)	432,270	(301,390)
Net Assets - End of Year	\$ -	849,364	26,799,421	27,648,785

NOTE 15 - RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 15 - RISK MANAGEMENT, Continued

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

Instruction	\$ 36,612,132
Research	6,299,051
Public Service	3,058,404
Academic Support	6,801,021
Student Services	12,912,383
Institutional Support	8,611,400
Operation and Maintenance of Plant	15,778,324
Scholarships and Fellowships	6,534,654
Auxiliary Enterprises	10,107,359
Depreciation	6,396,972
Total Operating Expenses	<u>\$ 113,111,700</u>

NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS

Nonoperating Federal grants and contracts for the year ended June 30, 2012 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2009	25
Federal Pell Grant Program - 2010	130
Federal Pell Grant Program - 2011	343,104
Federal Pell Grant Program - 2012	8,090,479
Total	<u>\$ 8,433,738</u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 18 - COMPONENT UNITS

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian. The receipts, earnings and expenditures related to the agency fund are not included in the Foundation's statement of activities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions, if any.

The Winthrop University Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation's activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,252,471 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2012. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2012 are \$265,453 due from the Foundation.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2012

NOTE 18 - COMPONENT UNITS, Continued

Purpose of Restricted Net Assets

All temporarily restricted net assets are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2011 were \$1,746,215 released by incurring expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

Winthrop University Scholarships and Grants	\$ 1,401,906
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments	<u>344,309</u>
	<u><u>\$ 1,746,215</u></u>

The Foundation's net asset classification has not been significantly affected by new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies described in Note 1 are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value.

Winthrop University Real Estate Foundation, Inc.

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2011 thru June 30, 2012, the fee for management services amounted to \$122,068 WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2012 are \$130,484 due from WUREF, Inc.

OTHER FINANCIAL INFORMATION

WINTHROP UNIVERSITY
Schedule of Information on Business-Type Activities
Required for the Government-Wide
Statement of Activities in the State CAFR
For the Year Ended June 30, 2012

	Year Ended June 30,	
	2012	2011
Charges for Services	\$ 82,903,370	79,379,663
Operating Grants and Contributions	11,263,407	14,353,048
Capital Grants and Contributions	-	39,720
Less Expenses	<u>(115,889,702)</u>	<u>(112,774,987)</u>
Net Program Revenue (Expense)	<u>(21,722,925)</u>	<u>(19,002,556)</u>
TRANSFERS		
State Appropriations	12,429,168	13,241,230
Capital Improvement Bond Transfer In	<u>1,174,145</u>	<u>42,339</u>
Total Transfers	<u>13,603,313</u>	<u>13,283,569</u>
Increase/(Decrease) in Net Assets	(8,119,612)	(5,718,987)
Net Assets - Beginning of Year	<u>78,401,353</u>	<u>84,120,340</u>
Net Assets - End of Year	<u><u>\$ 70,281,741</u></u>	<u><u>78,401,353</u></u>

WINTHROP UNIVERSITY
Schedule Reconciling State Appropriation Per the Financial Statements
To State Appropriation Recorded in State Accounting Records
For the Year Ended June 30, 2012

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2011-2012 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2012:

Non-Capital Appropriations

Non-Capital Appropriations per 2011-2012 Appropriations Act	\$ 12,231,202
---	---------------

State Budget and Control Board Allocations:

State Budget and Control Board Approved	
Allocation for Health Insurance	224,944
From SC Education Lottery Fund - Technology Program	241,457
From Commission on Higher Education -	
Academic Endowment Incentive Match	8,932
Revised Non-Capital Appropriations - Legal Basis	12,706,535
Accrued Funding for Net Payroll Adjustments	(277,367)
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	\$ 12,429,168

Capital Appropriations

Current Year's Appropriations	\$ 1,174,145
Supplemental Appropriations (Act. #73.14)	-
Total Capital Appropriations Recorded as Current Year Revenue	\$ 1,174,145

Research Infrastructure Bond Proceeds

Proceeds drawn during the current fiscal year	\$ -
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	\$ -

SINGLE AUDIT SECTION

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2012

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2012
US Department of Agriculture				
Passed through the SC Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #3	R&D	\$ 272,624
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #10	R&D	2,118
TOTAL US DEPARTMENT OF AGRICULTURE				274,742
US Department of Justice				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	2010-WA-AX-0016		73,774
TOTAL US DEPARTMENT OF JUSTICE				73,774
US State Department				
Academic Exchange Programs - Teachers	19.408	S-ECAAS-AA-CA-016(JJ)		173,159
TOTAL US STATE DEPARTMENT				173,159
US Library of Congress				
Passed through Waynesburg University				
Teaching with Primary Sources	42.000	GA GA08C0016		6,403
TOTAL US LIBRARY OF CONGRESS				6,403
National Science Foundation				
Mathematical and Physical Sciences	47.049	CHE-0848824	R&D	62,068
Education and Human Resources	47.076	DUE-1035322	R&D	257,127
TOTAL NATIONAL SCIENCE FOUNDATION				319,195
Small Business Administration				
Pass-Through the University of South Carolina				
Small Business Development Center - CY11	59.037	1-603001-Z-0043-31		104,821
Small Business Development Center - FY11	59.037	1-60300-Z-0149		45,359
Small Business Development Center - CY12	59.037	2-603001-Z-0043-30		185,119
TOTAL SMALL BUSINESS ADMINISTRATION				335,299
US Department of Education				
Fund for the Improvement of Postsecondary Education	84.116	P116Z100236	R&D	38,551
Teacher Quality Enhancement - Y2	84.336	U336S090144-10	R&D	298,429
Teacher Quality Enhancement - Y3	84.336	U336S090144-11	R&D	949,913
Subtotal 84.336				1,248,342
School Leadership - Y1	84.363A	U363A100071	R&D	178,963
School Leadership - Y2	84.363A	U363A100071-11	R&D	603,427
Subtotal 84.363A				782,390
National Writing Project	84.928	92-SC04-24		310
Subtotal - US Department of Education				\$ 2,069,593

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2012

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2012
US Department of Education				
Office of Postsecondary Education				
Student Financial Aid Cluster				
Supplemental Education Opportunities Grant FY11	84.007	PO07A113816	SFA	\$ 249,928
Subtotal 84.007				249,928
Federal Work Study - FY11	84.033	P033A103816	SFA	(1,317)
Federal Work Study - FY12	84.033	P033A113816	SFA	190,731
Subtotal 84.033				189,414
Federal Perkins Loan Program	84.038	P038A063816	SFA	2,718,397
Subtotal 84.038				2,718,397
PELL Grant Program - FY09	84.063	PO063P080379	SFA	25
PELL Grant Program - FY10	84.063	PO063P090379	SFA	130
PELL Grant Program - FY11	84.063	PO063P100379	SFA	343,104
PELL Grant Program - FY12	84.063	PO063P110379	SFA	8,090,479
Subtotal 84.063				8,433,738
Federal Direct Student Loan Program FY11	84.268	P268K100379	SFA	285,071
Federal Direct Student Loan Program FY12	84.268	P268K110379	SFA	38,328,738
Subtotal 84.268				38,613,809
Teacher Education Assistance for College and Higher Education Grants - TEACH - FY11	84.379	P379T100379	SFA	7,500
Teacher Education Assistance for College and Higher Education Grants - TEACH - FY12	84.379	P379T110379	SFA	676,568
Subtotal 84.379				684,068
Subtotal - Student Financial Aid Cluster				50,889,354
TRIO Cluster				
TRIO - Student Support Services FY11	84.042	PO42A100308		42,608
TRIO - Student Support Services FY11	84.042	PO42A100308-11		181,178
TRIO - McNair Post Baccalaureate Achievement - Y2	84.217	P217A090009-10		50,350
TRIO - McNair Post Baccalaureate Achievement - Y3	84.217	P217A090009-11		117,429
Subtotal - TRIO Cluster				\$ 391,565

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2012

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2012
US Department of Education			
Pass-Through the SC Coalition for Mathematics and Sciences			
ARRA - Title 1, Part A of ESEA - Improving Basic Programs Operated by Local Education Agencies (LEAs)	84.010	None	\$ 3,481
<u>Subtotal</u>			<u>3,481</u>
US Department of Education			
Pass-Through the South Carolina Department of Education			
Special Education Grants to States	84.027	09-CO-309-02	126
Special Education Grants to States	84.027	11-CO-309-02	8,497
Special Education Grants to States	84.027	11-CO-309-03	14,968
Special Education Grants to States	84.027	12-CO-309-01	6,694
<u>Subtotal - South Carolina Department of Education</u>			<u>30,285</u>
US Department of Education			
Pass-Through the York School District One			
Mathematics and Science Partnerships	84.366	H63010008209	33,341
Mathematics and Science Partnerships	84.366	H63010008211	56,610
<u>Subtotal - York School District One</u>			<u>89,951</u>
TOTAL US DEPARTMENT OF EDUCATION			53,474,229
US Department of Health and Human Services			
National Institute of Health			
ARRA - Cancer Biology Research	93.396	1R15CA137521-01	R&D 75,754
Cardiovascular Diseases Research	93.837	1R15HL104587-01	R&D 125,982
<u>Subtotal</u>			<u>201,736</u>
US Department of Health and Human Services			
National Institute of Health			
Pass-Through the University of South Carolina			
National Center for Research Resource - Y1	93.389	2P20RR016461-10	R&D 882
National Center for Research Resource - Y2	93.389	P20RR016461-10 11- 1914	R&D 413,257
<u>Subtotal 93.389</u>			<u>\$ 414,139</u>

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2012

FEDERAL GRANTOR	CFDA	Grant or Contract	Total
Pass-Through Entity	Number	Number	Expenditures
Program Title			FY2012
US Department of Health and Human Services			
National Institute of Health			
Pass-Through the SC Department of Health and Human Services			
Medical Assistance Program	93.778	A21532A	R&D \$ 324,802
Medical Assistance Program	93.778	Task Order #10	R&D 1,412
Subtotal 93.778			326,214
Pass-Through the South Carolina Department of Social Services (SCDSS)			
Temporary Assistance for Needy Families (TANF)	93.558	Task Order #4	R&D 322,171
Temporary Assistance for Needy Families (TANF)	93.558	Task Order #9	R&D 15,925
Temporary Assistance for Needy Families (TANF)	93.558	Task order #10	R&D 2,118
Subtotal 93.558			340,214
Child Support Enforcement	93.563	Task Order #6	R&D 425,171
Title IV-E Foster Care Maintenance	93.658	Task Order #1	144,622
Title IV-E Foster Care Maintenance	93.658	Task Order #2	50,054
Title IV-E Foster Care Maintenance	93.658	Task Order #7	R&D 199,654
Title IV-E Foster Care Maintenance	93.658	Task Order #8	69,584
Title IV-E Foster Care Maintenance	93.658	Task Order #10	R&D 4,237
Subtotal 93.658			468,151
Social Services Block Grant	93.667	Task Order #5	R&D 431,090
Subtotal - Pass through the SCDSS			1,664,626
US Department of Health and Human Services			
Administration for Children and Families			
Pass-Through the University of South Carolina			
Child Welfare Research and Demonstration Grants	93.608	11-1816	R&D 734
Subtotal 93.608			734
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,607,449
Corporation for National and Community Service			
Education Award Program	94.006	10AC113194	26,353
Program Development and Innovation Grants	94.007	None	500
Volunteers in Service to America	94.013	10VSSSC001	15,031
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			41,884
TOTAL ALL FEDERAL FUNDS			\$ 57,306,134

Independent Auditors' Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
And to the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

Compliance

We have audited Winthrop University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2012. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on Winthrop University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winthrop University's compliance with those requirements.

In our opinion, Winthrop University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item SD 12-01.

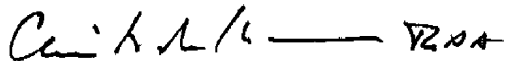
Internal Control Over Compliance

The management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over compliance that we considered to be a significant deficiency, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Cynthia A. [unclear] CPA". The signature is written in a cursive, flowing style.

September 20, 2012

Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
And to the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

We have audited the financial statements of the business-type activities of Winthrop University, a department of the State of South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 20, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Winthrop University Real Estate Foundation, Inc., as described in our report on Winthrop University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winthrop University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a noncompliance that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Winthrop University in a separate letter dated September 20, 2012.

This report is intended solely for the information of the audit committee, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cynthia A. [unclear]". The signature is written in a cursive style with a horizontal line extending from the middle of the name.

September 20, 2012

WINTHROP UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u>\$ 38,613,809</u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$2,314,902 as of June 30, 2012. The expenditures for June 30, 2012 are calculated as follows:

June 30, 2011 Loan Balance	\$ 2,291,122
Current Year Loans Made	380,500
Current Year Administrative Cost Allowance	<u>46,775</u>
Total	<u>\$ 2,718,397</u>

WINTHROP UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2012

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

Student Financial Aid Cluster

Special Tests and Provision- Institutional Eligibility

- | | |
|------------|---|
| Condition: | The University has operated at other locations for a few years. At a point in the past these locations began to offer 50 percent of an eligible program. These locations were not listed on the ECAR for June 30, 2011. |
| Criteria: | An eligible institution must report to the Secretary in a manner prescribed by the Secretary no later than 10 days after the change occurs in its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an education program if the institution wants to disburse title IV, HEA program funds to students enrolled at that location. 34CFR 600.21(a)(3). |



FY 2011 Findings and Questioned Costs Relating to Federal Awards

Student Financial Aid Cluster

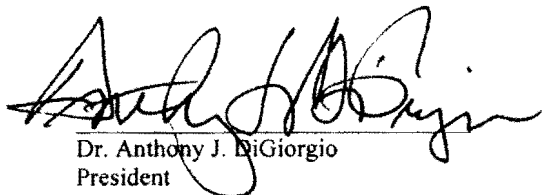
Special Tests and Provision- Institutional Eligibility

Condition: The University has operated at other locations for a few years. At a point in the past these locations began to offer 50 percent of an eligible program. These locations were not listed on the ECAR for June 30, 2011.

FY 2012 Corrective Action Taken

1. Academic departments have been notified to communicate plans to offer more than 50% of an educational program at new off-site locations to the financial aid office early in the planning stage. A new *Request for Approval of Off-Site form* was created. This new form will play an integral role in the facilitation of the interdepartmental communication such that all offices involved in off-site locations are adequately notified in the planning stages of new off-site locations. An electronic version of the form will be developed in the near future, thereby effecting an efficient flow of requests and approvals for off-site locations.
2. The director of financial aid maintains routine communication with university offices responsible for accreditation and state approval of off-site locations to ensure that financial aid office records are current.
3. The financial aid office has developed two safeguards to make certain that students attending off-site locations do not receive disbursements of Title IV financial aid if they are attending a location pending approval. First, the Office of Records and Registration is coding all off-site cohort students in the Banner Student system. The financial aid office then electronically creates a requirement in the Banner Financial Aid system to prevent financial aid disbursement. This requirement must be manually cleared which allows the financial aid office to review the location where the student is attending classes and take appropriate action. Second, the financial aid office receives a weekly report that lists all financial aid recipients scheduled for an off-site class. This report is reviewed to verify that no student was omitted from the first safeguard measure.
4. Subsequent to year end, the University received approval from the Department of Education to list the referenced locations on the ECAR.

We are confident that future additional locations will be established in the timeframes required by local, state, and federal agencies, including the guidance contained in the *Federal Student Aid Handbook* and regulations 34 CFR 600.20, 600.21, and 600.32. We are also confident that our new processes will prevent students from receiving disbursements of Federal Title IV funds at unapproved or unreported locations in the future.



Dr. Anthony J. DiGiorgio
President

9/6/12
September 6, 2012

Winthrop University
Schedule of Findings and Questioned Costs
June 30, 2012

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Winthrop University's basic financial statements dated September 20, 2012.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statement were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 20, 2012. A significant deficiency in the internal control over major programs was found. Our audit disclosed a finding that is required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster from the U.S. Department of Education and Research and Development Cluster. Type A programs are defined as those that expended \$300,000 or more and Type B programs are those that expended less than \$300,000. Winthrop University's total federal awards expended for the year ended June 30, 2012 were between \$10 million and \$100 million.

Winthrop University is not a low risk auditee according to the criteria in OMB Circular A-133.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

SD 12-01 Research and Development Cluster-

U.S. Department of Agriculture and U.S. Department of Health and Human Services

Allowable and Unallowable Costs

Condition:	One of the provisions of a contract reimbursable under a federal grant related to allowable travel expense reimbursement was not complied with.
Criteria:	Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. <i>Circular A-21 J(53)(b)</i>
Cause:	It appears that the University did not follow the travel reimbursement policies and procedures.
Effect:	Travel expenses with insufficient documentation and in excess of policy provisions were paid by the University. It appears that the total amount is not in excess of \$18,733.91

Winthrop University
Schedule of Findings and Questioned Costs, Continued
June 30, 2012

<u>Financial Aid Cluster</u>	<u>Federal CFDA Number</u>
<u>U.S. Department of Education</u>	
FSEOG	84.007
Federal Work-Study	84.033
Federal Perkins Loan Program	84.038
PELL	84.063
Federal Direct Student Loans	84.268
Federal TEACH Grants	84.379

Research and Development Cluster

U.S. Department of Agriculture

CFDA 10.561 Supplemental Nutrition Assistance Program

U.S. Department of Education

CFDA 84.363 A School Leadership (NetLEAD)

U.S. Department of Health and Human Services

CFDA 93.558 Temporary Assistance for Needy Family (TANF)

CFDA 93.563 Child Support Enforcement

CFDA 93.658 Title IV-E Foster Care Maintenance

CFDA 93.667 Social Services Block Grant



September 19, 2012

Response to FY 2012 Finding Regarding a Contract Reimbursable Under a Federal Grant Related to Allowable Travel Expenses.

As part of Winthrop University's on-going review of transactions, it was determined that travel reimbursements paid to one contractor related to this grant were inconsistent with State guidelines. The University's internal auditor reviewed 100% of all travel related documents submitted for reimbursement and determined that reimbursement requests totaling \$18,733.91 were either in excess of allowable state rates or improperly documented.

Corrective Action

Once the review was complete, the contractor was immediately notified that the University would withhold \$18,733.91 from the next payment scheduled to be made on or before October 15th, 2012. Should the contractor provide additional documentation that meets State guidelines, this reimbursable amount could be reduced.

To prevent recurrence, the University is now requiring the contractor to submit travel reimbursement requests using University developed travel forms. This will insure that only those travel expenses that are supported with proper documentation and meet State guidelines will be approved for reimbursement.

Anthony J. DiGiorgio
President